

## Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 CIAE-00 PM-07 INR-10 L-03 NEA-10

NSAE-00 PA-03 RSC-01 PRS-01 USIA-15 TRSE-00 MBFR-03

SAJ-01 SCEM-02 EB-11 INT-08 OMB-01 OEP-01 RSR-01 SS-15

NSC-10 /129 W

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P R 191743Z JUL 73

FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 887

SECDEF WASHDC PRIORITY

INFO JCS

USCINCEUR

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 3458

E.O. 11652: GDS 79

TAGS: NATO, XG, ETRN

SUBJECT: REPORT OF CENTRAL EUROPE PIPELINE POLICY COMMITTEE  
(CEPPC) MEETING, 18 JULY, 1973.

DEFENSE FOR OASD/I&L, MR. NOLAN AND COMPT, MR. UMBARGER;  
JCS FOR J-4 PETROLEUM; USCINCEUR FOR J-4/JPO; AMEMB PARIS FOR  
MR. HUMPHREYS.

REFS: A. AC/120-A/195; B. STATE 138216

BEGIN SUMMARY: IN LAST MEETING BEFORE SUMMER HOLIDAYS, CEPPC  
ATTEMPTED TO CLEAN UP HOLD-OVER ITEMS OF URGENT BUSINESS  
(LAVERA-STRASBOURG AND LE HAVRE-VALENCINNES NON-MILITARY MOVEMENTS  
AGREEMENTS); APPROVED SECOND SUPPLEMENTARY BUDGET FOR 1973 AND  
DECIDED, IN RESTRICTED SESSION, ON PROCEDURE FOR EXAMINATION OF  
SPECIAL REPORT BY NATO BOARD OF AUDITORS ON CERTAIN FRENCH  
CONTRACTS AND THE FRENCH REPLY THERETO. FRENCH RESPONSE TO  
U.S. REQUEST FOR CONSIDERATION OF IMMEDIATE INCREASE IN RATES  
PAID TO CENTRAL EUROPE PIPELINE SYSTEM (CEPS) WAS THAT INCREASE  
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NOW IS OUT OF THE QUESTION BUT TERMS FOR AN INCREASE EARLY IN  
1974 WILL BE NEGOTIATED IN FALL AND MADE KNOWN TO CEOA BEFORE  
OCTOBER 1973. FRANCE REQUESTED TO BE ADVISED AS SOON AS POSSIBLE  
IF US WOULD OR WOULD NOT EXTEND PRESENT AGREEMENT FROM 31 AUGUST

TO END OF YEAR, ALL OTHER COUNTRIES HAVING PREVIOUSLY AGREED.  
ACTION REQUESTED: AUTHORITY TO FURTHER EXTEND PRESENT AGREEMENT  
(AC/120-D/680) TO 31 DECEMBER 1973. END SUMMARY.

1. REPORT KEYED TO AGENDA ITEMS FOLLOWS.

I. APPROVAL OF AGENDA APPROVED.

II. APPROVAL OF SUMMARY RECORD. AC/120-R/193 APPROVED SUBJECT  
TO MINOR CORRECTIONS AND CRITICAL COMMENTS BY U.S., BELGIUM AND  
CHAIRMAN REGARDING BREVITY AND LACK OF DETAIL IN RECENT CEPPC  
RECORDS. A MINUTE WRITER WAS THEN MADE AVAILABLE TO AID THE  
SECRETARY IN PREPARATION OF MORE COMPLETE RECORDS FOR FUTURE.

III. NON-NATO MOVEMENTS.

A. LAVERA TO STRASBOURG: CHAIRMAN (HOLDEN, UK) REMINDED  
COMMITTEE THAT ALL COUNTRIES EXCEPT U.S. HAD AGREED ALTHOUGH  
WITH SOME RELUCTANCE TO EXTENSION OF PRESENT AGREEMENT TO END  
OF 1973. HE RECALLED THAT U.S., AS LARGEST CONTRIBUTOR TO CEPS  
SHORTFALL, HAD BEEN CONCERNED ABOUT GETTING MATTER OF TAXES  
PAID BY THE CEPS, AS WELL AS THE LEVEL OF THE NON-MILITARY  
RATES, ADDRESSED AND HAD FOCUSED ON THE RENEWAL OF THIS AGREEMENT  
TO BRING ATTENTION TO THESE MATTERS. HE ASKED IF THIS U.S.  
PURPOSE HAD NOT BEEN ACHIEVED AND WHETHER THE U.S. WAS READY  
TO JOIN OTHERS IN THE EXTENSION OF THIS IMPORTANT AGREEMENT  
IN ORDER THAT FRANCE NOT BE PRACTICALLY FORCED TO CONTINUE  
PUMPING OPERATIONS WITHOUT THE LEGAL SANCTION OF THE COMMITTEE.  
U.S. REP. (COL. RANTZ) AGREED THAT SOME ACTIONS WERE NOW UNDERWAY  
THAT, HE HOPED, WOULD LEAD TO MORE FAVORABLE FINANCIAL RESULTS,  
INCLUDING THE PRESENT STUDY ON TAXES, CONSIDERATION OF  
CEPS BURDEN-SHARING AS INITIATED IN RECENT (APRIL, JUNE)  
COMMITTEE MEETINGS. HE NOTED, HOWEVER, THAT THERE WERE SEVERAL  
NEW FACTORS SINCE THE U.S. AND FRENCH HAD LAST HELD SERIOUS  
DISCUSSIONS ON THIS AGREEMENT IN APRIL (SEE USNATO 2112).  
HE REQUESTED THE FRENCH REP. TO TAKE NOTE OF THESE NEW  
FACTORS, CITING ADDITIONAL INFLATION, ADDITIONAL INVESTMENTS,  
INFORMATION IN SPECIAL REPORT OF BOARD OF AUDITORS AND CLEARER  
IDEA OF THE VALUE OF CEPS SERVICE. HE PROPOSED EXTENSION OF  
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PRESENT AGREEMENT AC/120-D/680 WITH AN INCREASE IN CEPS PAYMENTS  
RANGING FROM 1.50 FFR PER CU.M. FOR LAVERA TO STRASBOURG,  
TO 0.50 FFR FOR LAVERA TO REYZIN. COL. RANTZ ASKED FRENCH REP.  
(GENTILHOMME) TO CONVEY THIS REQUEST TO HIS AUTHORITIES FOR  
THEIR URGENT CONSIDERATION AND ACCEPTANCE OR REASONS FOR  
REFUSAL. NETHERLANDS REP. (HOFMAN) NOTED THAT AS ALL OTHER  
COUNTRIES HAD ALREADY AGREED TO EXTEND THE PRESENT RATES TO  
31 DECEMBER, IT WAS NOT POSSIBLE TO JOIN IN SUPPORTING THE U.S.  
REQUEST FOR AN IMMEDIATE INCREASE, BUT HE ASKED IF, IN THE SPIRIT  
OF COMPROMISE, FRANCE COULD STRIVE TO GRANT AN INCREASE FROM  
THE FIRST OF THE NEW YEAR. THE FRENCH REP. SAID THAT HE WAS ABLE  
TO CONFIRM A RAISE WOULD BE GRANTED 1 APRIL 1974, BUT THAT  
IN THE MEANTIME PROPER FORM HAD TO BE FOLLOWED: ON ONE HAND,

TO NEGOTIATE WITH A VELVET GLOVE NEW AGREEMENTS WITH THE OIL COMPANIES AND ON THE OTHER HAND, TO GET AGREEMENT OF SEVERAL MINISTRIES TO A PRICE INCREASE IN A BASIC PRODUCT WHERE PRICE CONTROLS WERE INVOLVED. THIS, HE SAID, CAN NOT REPEAT NOT BE DONE OVERNIGHT WITHIN THE FRENCH GOVERNMENT. THE FRENCH REP THEN CONTACTED SNOI IN PARIS AND OFFERED FURTHER INFORMATION. IT WAS CONFIRMED THAT THE U.S. PROPOSAL COULD NOT BE ACCEPTED. FIRST, BECAUSE NEW ARRANGEMENTS WITH THE OIL COMPANIES COULD NOT BE MADE SO RAPIDLY FOR REASONS STATED. SECOND, BECAUSE AN INCREASE IN REVENUES PAID THE CEPS (AT THE EXPENSE OF TRAPIL OR THE FRENCH STATE) BY THE AMOUNTS REQUESTED BY U.S. COULD NOT BE CONSIDERED AT THIS TIME.

COMMENT: GENTILHOMME WAS APPARENTLY SAYING THAT THEY WOULD NOT, IN ADVANCE, ADMIT GUILT OR GIVE UP THE CASE THEY HAD MADE IN THE FRENCH RESPONSE TO THE SPECIAL AUDIT REPORT: I.E., THAT THE SPECIAL FEES COLLECTED BY TRAPIL (FFRL.50 TO 0.50) WERE LEGITIMATE IN ALL RESPECTS. END COMMENT.

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CONTINUING, HE INDICATED THAT WHILE IT WAS NOT POSSIBLE TO SAY NOW THAT THE INCREASE WOULD BECOME EFFECTIVE AT THE FIRST OF THE YEAR, THE FRENCH AUTHORITIES WERE WILLING TO OFFER "ADDITIONAL NUANCES" ANSAY THAT 1 APRIL WOULD BE THE OUTSIDE DATE. THEY WOULD STRIVE FOR AN EARLIER DATE, 1 MARCH OR, IF POSSIBLE, EVEN EARLIER. THAT THEY WOULD PURSUE A NEW AGREEMENT AS RAPIDLY AS WAS PRACTICAL CONSIDERING THE SEASON OF THE YEAR AND NUMBER OF OIL COMPANIES AND MINISTRIES CONCERNED. HE OFFERED TO INFORM CEOA OF THE STATUS OF NEGOTIATIONS BEFORE

OCTOBER AND WE COULD BE REASONABLY SURE TO HAVE A POSITIVE PROPOSAL (NEW AGREEMENT TO REPLACE D/680) BY THE END OF DECEMBER. IF POSSIBLE, THEY WOULD MAKE IT EFFECTIVE THE FIRST OF MARCH OR EVEN EARLIER BUT COULD NOT MAKE A COMMITMENT IN ADVANCE BECAUSE OTHER PARTIES IN FRANCE HAD A ROLE TO PLAY IN DECIDING THE DATE.

THE U.S. REP AGREED TO THE CHAIRMAN'S REQUEST TO CONVEY THE FRENCH VIEWS TO WASHINGTON AND TO SEEK A RESOLUTION OF THE IMPASSE.

COMMENT: REPRESENTATIVES OF ALL OTHER NATIONS EXCEPT GERMANY  
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ADVISE US THAT FRENCH FEEL THEY HAVE GONE AS FAR AS POSSIBLE FOR THE MOMENT - IN ADVANCE OF EXAMINATION BY CEPPC OF SPECIAL AUDIT REPORT, TAX REPORT AND CONSIDERATION OF CEPS BURDEN-SHARING WITH FRANCE ASSUMING A LARGER SHARE OF CONTRIBUTIONS TO SHORTFALL. THEY ADVISE THEY CANNOT SUPPORT A PROPOSAL TO "STOP THE PUMPS" ON THIS LINE. THEY BELIEVE THAT AMERICAN POINTS HAVE BEEN MADE AND ADVISE US TO SUSPEND FURTHER EFFORTS TO DELAY THIS AGREEMENT. GERMAN REP WILLING TO "HOLD OUR COAT" BUT HAS NOT DIRECTLY INTERVENED IN OFFICIAL COMMITTEE DISCUSSIONS TO SUPPORT US DESPITE PRIVATE ASSURANCES OF SUCH SUPPORT. WE BELIEVE WE ARE AT END OF LINE FOR THIS YEAR'S NEGOTIATIONS COVERING 1973 TARIFF RATES ON LAVERA-STRASBOURG. WE HAVE MADE IT CLEAR WHY WE WOULD NOT APPROVE THE NORMAL 1973 AGREEMENT EXTENSION (AC/120-D/783) WHICH DID NOT CONTAIN EITHER HIGHER RATES OR CHANGES IN TAX PROVISIONS AND ONLY RELUCTANTLY PERMITTED EXTENSIONS 3 MONTHS AT A TIME OF THE OLD 1962 AGREEMENT (D/680). WE HAVE ALSO THEREBY TABLED AND GOTTEN COMMITTEE AGREEMENT TO ADDRESS THE FULL RANGE OF CEPS FINANCIAL PROBLEMS, INCLUDING TARIFFS, TAXES, TRAPIL OPERATIONS. IN SHORT, WE THINK FURTHER EFFORTS TO INCREASE RATES IN THIS YEAR'S AGREEMENT WOULD BE UNSUCCESSFUL AND COUNTER-PRODUCTIVE. END COMMENT.

B. LE HAVRE-VALENCIENNES. THE GENERAL MANAGER, CEOA, NOTED THE SITUATION WHEREIN THE FRENCH HAD ALREADY AGREED TO TERMS OF THIS CONTRACT WITH ANTAR. THE CHAIRMAN NOTED THAT THE PRESENT CONTRACT STILL HAD A YEAR TO GO AND ONLY THE U.S. HELD A RESERVATION ON THE EXTENSION OF THE AGREEMENT. HE ASKED IF THE U.S. HAD ANYTHING TO ADD. THE U.S. REP, DRAWING ON REF. B, INDICATED THAT WE CONSIDERED THAT NO PROPER COST STUDY HAD BEEN MADE OF THIS OPERATION AND THAT PRIOR TO OUR FURTHER ACTION TO LIFT OUR RESERVATION WE REQUESTED THAT SUCH A STUDY BE MADE BY CEOA AND PRESENTED TO THE CEPPC. WE STIPULATED THAT SUCH STUDY SHOULD REFLECT ALL COST ELEMENTS INCLUDING TAXES AND PROVISIONS FOR AMORTIZATION OF INVESTMENT. THE COMMITTEE SUPPORTED THIS U.S. REQUEST AND INVITED CEOA, IN COOPERATION WITH FRANCE, TO DEVELOP AND PRESENT THE STUDY IN TIME FOR ITS DISCUSSION AT THE OCTOBER 1973 MEETING.

IV. SECOND SUPPLEMENTARY BUDGET 1973 FOR THE CEPS. DOCUMENT  
CONTAINED TWO ITEMS INVOLVING INCREASED 1973 COSTS: (1) FOR  
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POSTAL, TELEGRAPH AND TELEPHONE CHARGES IN GERMANY, AN INCREASE

OF DM 293,700 AND UNBLOCKING OF DM 134,100; (2) FOR SAFETY  
EQUIPMENT (FLEXIBLE OIL BARRIERS PREVIOUSLY APPROVED), A REQUEST  
FOR DM 145,800. AFTER DETERMINATION THAT NEITHER ITEM COULD BE  
REDUCED, REQUESTS WERE APPROVED.

V. ANY OTHER BUSINESS. CHAIRMAN REPORTED PROGRESS IN DISCUSSIONS  
WITH CEPO CHAIRMAN AND GENERAL MANAGER CEOA ON MEANS TO  
FURTHER STREAMLINE WORK OF TWO COMMITTEES WITHIN THE CHARTER.  
THE COMMITTEE NOTED THE DESIRABILITY OF IMPROVED SUPPORT BY  
THE INTERNATIONAL STAFF IN THE SECRETARIAL AND RESEARCH FIELDS.

VI. DATE AND PLACE OF NEXT MEETING. 13-14 SEPTEMBER 1973,  
BRUSSELS.

2. ACTION REQUESTED: RECOMMEND AUTHORITY NOW BE GIVEN TO  
EXTEND PRESENT LAVERA-STRASBOURG AGREEMENT (AC/120-D/680)  
TO 31 DECEMBER 1973.  
RUMSFELD

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<< END OF DOCUMENT >>

## Message Attributes

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